

In 1999/2000 annual report, Hsin Chong Construction Group Ltd. (“Hsin Chong”) stated its commitment to taking a leadership role in the transformation of the construction industry. In January 2000, Hsin Chong commenced its culture change in the organization by promoting transparency, empowerment, responsibility and accountability through which Hsin Chong believes, will earn dedication and commitment of its employees and most importantly, a sense of “ownership” among its employees.

Hsin Chong’s achievements in its culture change efforts for the year 2000/2001, which include implementation of “Total Quality Management” and “Every Manager an HR Manager” program, establishment of “Quality Circles” and awards relating to environment, health and safety received, were reported in the last year’s annual report. It was also reported that the management of Hsin Chong had agreed to adopt the Balanced Scorecard (“BSC”) approach for tracking the implementation of business strategy. Hsin Chong’s strategy map, with a cause-and-effect linkages and a delicate balance of long-term and short-term performance goals, showing how intangible assets are translated into financial outcome, was presented.

In June 2001, following the completion of the strategy map mentioned above, Hsin Chong commenced to design the infrastructure of its own BSC system. To maximize the benefit of using BSC and provide a clear linkage from the strategy in corporate level to the outcome generated from operation, Hsin Chong introduced its two level BSC: Corporate BSC and Site BSC.

The strategic architecture started with a clear definition of the corporate strategy. In July 2001, Hsin Chong’s senior executives gathered together in a 2-days workshop for reviewing Hsin Chong’s vision and formulating its corporate strategy. For tracking and evaluating the progress in implementation of the strategy, it established a set quantifiable and measurable items known as Key Performance Indicator (“KPI”). After extensive internal discussion and debate among the senior executives, 28 KPIs addressing 4 perspectives of BSC: financial, customer, internal process and learning and growth were identified for Hsin Chong’s business. Targets were set for each KPI and a scoring and grading system was established. Consensus meetings participated by the top and middle management were held. KPIs and the respective targets were agreed in the meeting. An Implementation Team comprises middle management was formed for refining and defining KPIs and collecting data for past performance. Corporate BSC Bluebook was issued in October 2001. The result of KPIs was first issued for the quarter ended September 2001 and thereafter quarterly. KPIs with result less than expectation are investigated and action plans are formulated for improvement.

Upon completion of Corporate BSC, Site BSC was built with strategy in alignment with the corporate strategy. The steps in building the Site BSC and monitoring its performance were similar to that of Corporate BSC with the exception that it was built by a team of front line staff, instead of senior executives at the head office. Site BSC has been using by all building sites managed by Hsin Chong since March 2002 and the performance among the sites

benchmarked. The result of Site BSC is currently posted in the internal website. This creates a competitive environment that can drive every site to out-perform itself among other sites.

To maximize the benefit of using BSC, Hsin Chong will enhance its application on monitoring the implementation of business strategy. BSC for supporting departments in alignment with the corporate strategy is planned to be developed in the coming year. KPIs for both Corporate BSC and Site BSC will be modified to align with Hsin Chong's new strategy spanning to 2010.

Hsin Chong believes that the application of BSC can foster a culture of continuous improvement, enhance the accountability of performance and instill a sense of "ownership" among the employees. This will ultimately create value to its stakeholders and maintain the long term success of Hsin Chong.